

IMPLICATIONS OF THE SUEZ BASE SETTLEMENT

I. Implications of 27 July Settlement

- A. Begins new era Egyptian relations West.
- B. Immediate result strengthen Nasr regime--domestically and among Arab states.
- C. Egypt may now adopt more constructive attitude:
 - 1. Alignments in Arab League--deemphasize new Cairo-Riyadh axis.
 - 2. Regional defense--cooperate with West.
- D. Internally regime now faced problem implementing much-publicized economic program--only limited achievement possible due basic problem: overpopulation and lack resources.

II. Reactions to Settlement



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FOR YOUR INFORMATION:

US Embassy Cairo has drafts ready to negotiation
with Egypt for grant arms and economic assistance.
Discussions expected to open shortly.

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